

Code of Ethics

Rev. 2 of 02.12.2015

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1. INTRODUCTION

This Code of Ethics (hereinafter "Code") specifies and brings together the ethics principles and values of Palazzoli and the companies directly or indirectly controlled thereby (hereinafter the "Company", the "Palazzoli Group" or the "Group"), which, in addition and irrespective of law statutes, should at all times govern the conduct and practice of all those working to the interest of the "Group" Companies, both within and outside the Group Companies corporate organisation.

The Code is an essential part of the organisation management and control model the Palazzoli Group Companies apply in the sense and for the purposes of law decree no. 231/2001, because it integrates the said decree in the expression and communication of the values and rules of conduct that the Company considers of definitive importance for the success and future growth of the Group Companies.

The Code of Ethics applies both in Italy and abroad, but taking into consideration cultural, social and economic differences among the various countries in which the Group Companies operate.

Supervision duties in relation to adherence to the Code of Ethics, promotion of ethical values and principles and clarification of any interpretation disputes are assigned to the Supervision Organisation set up by the Group as per law decree no. 231/2001.

2. GROUP GOALS

Palazzoli is among the oldest and most established industries of electrical equipment and holds a leading position in its area of activities. Palazzoli was founded in Italy in early 1900 and today it is a successful business operating in the global market, with direct or indirect control over other Companies. The Group competitive power is based on the outstanding tradition of product excellence, engineering and research resources and superior quality and professional competence of employees and partners.

The Group *mission* is continuous improvement of efficiency through maximisation of customer satisfaction so as to preserve and boost corporate value.

These goals are achieved through adoption of processes of effectiveness and opening to the market, in the context of fair competition with other

companies and prioritising continuous improvement of the quality of products and services on offer.

Aware that a business is not evaluated solely on financial results achieved and quality of production, but also on the capacity of producing value and creating prosperity for society, the Palazzoli Group seeks to achieve the following through this Code:

- specify and clarify the values and principles shaping its activities and its relations with employees, partners, trade partners, shareholders, institutions and, in general, all other agencies involved (*stakeholders*),
- specify conduct principles to which the recipients of this Code should conform,
- to raise the awareness of those working in the Group sphere of activities concerning adherence to the said principles through establishment of a special penalty imposition system to ensure the implementation and effectiveness of this Code.

The Code, which has been a fixed demand on the part of corporate management, – irrespective of corporate orders and/or instructions, – reflects the common sense of collectivity and responds to the need to publicise the values of the Palazzoli Group Companies also outside the corporate context.

Group Companies undertake to take all prevention and control measures deemed necessary so that, in the context of their activities, strict adherence to applicable laws and regulations is ensured, as well as to supervision regulations, industry self-regulation rules and the internal regulations in all regions and all levels of decision making and order execution.

Recipients, who are already under the obligation to adhere to applicable laws and regulations, should adapt actions and conduct to the principles, goals and commitments provided for in this Code.

This Code is an application of the provisions of article 6 of law decree no. 231 of June 8, 2001, and supplements the regulatory context governing the Group Companies.

The Code may be amended and supplemented with a decision of the Board of Directors, also based on recommendations or advice issued by the Supervision Organisation. Concerning changes of purely formal nature, the Supervision Organisation may apply amendments deemed necessary immediately.

3. GROUP VALUES

Palazzoli Group Companies and anyone who, under any capacity, cooperates with them in the exercise of corporate activities should respect the following values and principles of operation:

- **Legality:** diligent adherence to all laws, regulations, administrative measures and, in general, all regulatory provisions, whether directly applicable to the Company business or of wider applicability,
- **Tradition and regional bond:** the belief that corporate business, through continuous interaction with the geographical region, in accordance with the heritage of the founders and their successors, is a valuable inheritance which should be preserved and modernised by way of an innovative vision which remains open to change,
- **Economic efficiency:** effectiveness and cost efficiency of management systems so as to continuously enhance the level of business efficiency and competitiveness,
- **Utilisation of human resources:** in full respect of human physical and mental integrity and through participation in professional training seminars and updates on the business goals,
- **Research and development:** continuous research effort for all activity areas aiming at the promotion and – implementation of a strategic plan – to achieve maximum innovation of products and industrial processes, through concurrent utilisation of opportunities offered by technological progress in relation to cost reduction and quality enhancement,
- **Respect and protection of the environment:** awareness of the definitive importance of minimisation of production activity induced environmental impact and of ensuring a healthy and safe environment for business workers and partners,
- **Appropriateness and transparency:** establishment of management and communication systems in accordance with applicable laws and regulations, in relation to both internal and external business components, which shall be based on clarity, completeness, accuracy and common acceptance,

- **Sense of duty:** based on appropriateness of actions, transparency of responsibilities and continuity of relations with all stakeholders (clients, shareholders, employees and collectivities in general), which are ensured with the essential adherence to rules and good practice, as well as to dialogue and clarity which are the foundations for long-term relations,
- **Equality and integrity of the relations with the Civil Service:** during management of all relations or contacts with Civil Service representatives, equal treatment and conduct integrity is ensured in full respect of institutional duties. Palazzoli Group Companies, in Italy and abroad, reject any pressure and favourable or "special" treatment with a view to achieving unfair or unjustified benefits for the personal interest of the party involved, the public agent and/or the Companies themselves,
- **Non discrimination:** Group Companies, in relations they maintain with all agents they have transactions with, avoid any discrimination based on age, gender, health status, nationality, race, sexual preferences, religious belief and political opinions, in full respect of human dignity.

4. CODE RECIPIENTS

This Code of Ethics refers to the conduct of members of the corporate organs, employees and partners, as well as all those operating for the achievement of the Group Companies. Recipients should protect the decency and reputation of the Palazzoli Group and corporate assets through their behaviour.

Code provisions should govern all corporate processes and in particular:

- selection and management of Employees and Partners,
- management of relations with Clients,
- management of relations with the Civil Service,
- selection and management of Suppliers of products and services,
- management of relations with Competitors,
- management of relations with the Trade Unions,
- management of relations with the Media,

- management of relations with the Institutions in general.

Executive corporate organs are the first who should implement the Code values and principles, assuming responsibility within and outside the Group and boosting trust, cohesion and team spirit. Principles provided for in this Code complement the rules of conduct any recipient shall keep to, both as concerns compliance with general obligations of diligence, proper conduct and honesty that should always qualify the offered work in the sense of the provisions of articles 2104 and 2105 of the Civil Code, the collective agreement or the corporate regulations, and as concerns any further codes that the Group establishes to regulate special issues or to adapt to new conduct rules of the industry.

The Code is notified to all recipients through suitable communication media. In particular, all employees shall be familiar with the Code, actively contribute to its implementation and note any weaknesses thereof.

Anyone who forges any relation of cooperation with Group Companies shall fully respect the rules and principles specified in this Code.

In no case a claim that actions aim to the achievement of Company interests justifies conduct in opposition to the provisions of the Palazzoli Group Code of Ethics.

The Code also applies to activities all Group Companies develop abroad, albeit with due consideration of existing legal, social, economic and cultural differences.

Violation of the rules of this Code has an adverse impact on the relation of trust maintained with the Group and may lead to disciplinary action and damages claims, with the reservation, as concerns Company employees, of compliance of processes provided for by law, collective work agreements and the disciplinary codes of each Company.

5. INTERNAL RELATIONS

5.1 Working staff

Human resources are a fundamental element for the Group.

Employee dedication and professionalism constitute values and a requirement of definitive importance for the achievement of the goals of each Company of the Palazzoli Group.

Therefore, Group Companies are bound to the development of the skills and competencies of each member of staff, so that individual action and creativity may be fully reflected in individual performance.

In this context, Group Companies provide all members of staff with the same opportunities for career progress, so that they are all treated equally, based on meritocracy, with no discrimination based on gender, age, special needs, religion, nationality or racial origin and political and/or trade union views.

To this purpose, members of staff at all hierarchical levels shall cooperate in order to maintain an atmosphere of mutual respect of the decency, honour and reputation of all persons in the company.

Anyone who believes that during their work for the Group Companies has been a victim of abuse or discrimination for any reason, or has been a witness to such events, may report to the Supervision Organisation.

All actions of retaliation against a member of staff who rejects, complains against or reports such events is prohibited.

5.2 Selection of staff

The Palazzoli Group provides equal work and/or career opportunities with no discrimination.

Selection candidate evaluation focuses on the review of professional and psychological qualities provided for the specific job post, in full respect of the candidate's decency, personality, private life and personal opinions.

No favourable treatment or forms of clientelism are allowed.

5.3 Establishment of the working relation

Hiring is founded on legal work agreements as per current laws and applicable collective working agreement, in favour of the integration of new members into the working environment. The employee shall sign the related agreement and be bound to the adherence of the terms of the Code of Ethics.

Upon being hired, the Palazzoli Group members of staff receive full and comprehensive information concerning the following issues:

- features of the duties and activities they assume,
- part provisions of the work agreement,
- current business regulation and processes, with special emphasis on health hazards, if provided for the work activity,
- Code of Business Conduct and Ethics,
- incentive system and possible disciplinary measures.

5.4 Staff management

Specification of roles and competencies assigned to members of staff, as well as the related fee, reflect the level of professionalism demonstrated and aim to ensure a competitive payroll structure proportional to the markets of reference in which the Palazzoli Group operates.

Salary upgrade is performed as per the principles of ethics and current regulations and is set by clear and fair means and methods notified to the parties involved. Depending on the job post assigned, annual payroll may be supplemented with corporate bonuses based on results achieved, so that the proper competitiveness level as compared to the market may be maintained.

5.5 Training

Palazzoli considers staff training and further education a primary need for the Group and, thus, it makes all efforts so that the skills and competencies of each member of staff may be upgraded gradually through the following actions:

- creating the conditions for a working environment which can utilise and upgrade the skills of each member of staff and allow them to express their potential,
- recognizing professional progress through an appropriate reward and incentive system,
- ensuring by way of the specified frequency of special professional training programs.

Members of staff shall seek to acquire new skills and competencies with encouragement of their managers and heads of departments.

5.6 Health and safety

Palazzoli requires that internal and external work relations are founded in the respect for the sensitivities of each person and that they do not

allow for abuse. Indicatively, abuse means any actions or behaviours that:

- create an adverse, threatening and marginalising work environments against one or a group of members of staff,
- cause unjustifiable intervention in the performance of work duties,
- create obstacles for personal work prospects for reasons of personal competition,
- offend human physical and mental integrity (sexual harassment, violence, etc.).

Palazzoli makes all efforts to promote and establish a mind frame of safety through raising awareness of hazards and promoting responsible conduct on the part of all members of staff and partners. It also makes efforts, particularly through prevention actions, to protect the health and safety of members of staff.

The Palazzoli Group aims to protect human, property and financial resources of the Companies through continuous seeking of the essential synergies not only internally, but also with suppliers, businesses and clients involved in Company activities, in full respect of current laws concerning prevention and protection. To this purpose, all staff members at any hierarchical level of the Group Companies, under any circumstances and for any reason:

- I. Staff members shall abstain from threatening and offending conduct against any person in the business, whether a member of staff or third parties.
- II. Staff members shall maintain a working environment free of discrimination based on racial origin, gender, age, religion and personal attitudes and opinions.
- III. Staff members are responsible for adherence to safety rules as set up by Management at any time. Non adherence is considered a serious misconduct, because it may jeopardise their personal safety and the safety of other Members of staff.
- IV. In the context of their duties, they are responsible for adherence to processes and executive instructions for ensuring product quality. Non adherence to this rule constitutes an act of negligence during work assigned.
- V. Staff members are responsible for keeping

the equipment made available, and shall keep the same in good state of operation and maintenance.

- VI. Staff members may have access only to laboratories and offices for which authorisation has been granted.
- VII. Staff members shall not allow any external partner or visitor access to departments and laboratories or use of any equipment without prior written approval by Management. It is everyone's responsibility, and primarily the responsibility of heads of departments, to ensure such adherence and, in all cases, report violations to Management without delay. Indeed, it is essential that the safety of external staff is protected equally and/or more than the safety of internal staff. Also, given the fact that external staff and visitors may not be aware of safety rules, non authorised intervention thereof may jeopardise the safety of others.
- VIII. Staff members shall inform the Management about all events that may violate current laws on the part of other staff members or against other staff members.
- IX. In the context of their duties and professional competencies, staff members shall submit proposals to their supervisors as well as information that may improve the quality of the products and the production process.

5.7 Confidentiality

Palazzoli Group Companies adhere to applicable legislative provisions concerning processing of personal data. In particular concerning processing of personal data of staff members, Palazzoli applies special preventive measures to inform each staff member about the type of personal data submitted to processing by the Company, the methods of processing, the framework of data notification and, in general, all other issues relating to the staff member.

Personal data which are processed by authorised Partners shall:

- be submitted to legal processing in accordance with good practice, following approval by the person involved,
- be collected and sorted for specific, clear and legal purposes,
- be accurate and updated,

- be relevant, complete and non-redundant in reference to the purpose of collection and processing,
- be maintained in a form allowing the recognition of the party involved for a time period which shall not exceed the time necessary for the purpose of collection and processing.

Members of staff assigned with collection of personal data shall take all appropriate measures to prevent destruction or loss risks, even if unintentional, of the said personal data, non-authorized access thereto and prohibited processing or processing which does not conform to the purpose of collection, as such are specified and adjusted periodically in the context of the Palazzoli Group Companies.

5.8 Staff member obligations

All staff members shall act honestly and in good faith, adhering to obligations provided for in the work agreement and providing required services; they shall also be aware and keep to the ethical rules of this Code, adapting their conduct in conformance with the principles of mutual respect and cooperation.

All actions, transactions, negotiations and, in general, behaviours that are part of professional activities, shall be governed by the principles of honesty, correctness, integrity, transparency, legality, clarity and mutual respect, as well as being under controls and inspections in accordance with current internal regulations and processes.

All activities shall develop in diligence and professionalism.

Every staff member shall provide appropriate professional services depending on duties assigned and shall act in such a manner as to protect the prestige of the Palazzoli Group and, independently of duties exercises and/or the level of responsibility assumed, shall be aware and implement all provisions concerning the protection of the environment, safety and confidentiality.

5.9 Conflicts of interest

Staff members of the Palazzoli Group Companies shall abstain from activities that may be in conflict with the Group interests.

It is prohibited to obtain benefits, directly or through third parties, from business opportunities which the

interested party becomes aware of during the exercise of their duties within the Company.

Before accepting a position as a consultant, manager, director or other capacity in favour of another company, or in case the staff member is in a state of actual or potential conflict of interest, such staff member shall inform their superior without delay, who shall then inform the Supervisory Organ according to procedures provided for.

5.10 Use of corporate material resources and information systems

The staff member shall use and keep in diligence all material resources made available for the purposes of work or office service.

Inappropriate use of material and other resources owned by the Group is prohibited.

Every staff member is directly and personally responsible for the protection and legal use of material and other resources made available for the exercise of their duties.

As per current legislation, the Group takes necessary measures to prevent inappropriate use thereof.

Concerning the security of information systems, every staff member is responsible for the security of systems they use and are subject to current regulatory provisions and the terms of the license use agreements.

With the reservation of the provisions of the civil and criminal law, inappropriate use of corporate material and other resources means the use of network connections for purposes other than those relating to the work relation or for sending offending messages or messages that may damage business reputation.

Every staff member shall also make all necessary efforts to prevent offenses through use of means of information systems.

5.11 Reputation protection

The good reputation of the Palazzoli Group is a fundamental intangible asset.

Group staff members are committed to acting in accordance with the principles established by this Code in reference to relations with colleagues, suppliers and third parties in general, maintaining decent conduct in conformance with standards of businesses of comparable prestige and size.

5.12 Reporting and documentation

Any action and/or transaction, in the broader sense of the term, must be legal, authorised, reasonable, proper, documented, registered and reviewable at any time. There are special protocols to this purpose, separate for each sector and based on the Code of Ethics, with a view to preventing actions that may have an adverse impact on business.

Processes governing transactions shall be implemented in time periods and methods provided for, so that they allow for the performance of inspections in reference to their features, the reasons permitting their performance, the approvals for their performance and the performance of the said transaction.

It is essential for every transaction to be performed by different people at different stages of the activity so as to ensure adherence to the principle of division of duties. This reflects the goal of clear definition of duties and roles in order to avoid assigning excess competencies to a single person.

Any person performing actions and/or transactions involving cash amounts, tangible assets or other financially assessable Group assets, shall act under special authorisation and register on file all data that allows for review at any time.

Managers and Employees are responsible for accurate, authentic and original documents and information they register during the performance of their duties and over which they have competency.

Those with competency over keeping the accounts shall make every entry in a diligent, complete, accurate and transparent manner and shall allow for any reviews by duly authorised parties, even if such parties are external to the Company.

Accounting data shall be based on accurate information and be audit able, and shall fully keep to internal procedures related to accounting.

Every staff member shall cooperate to ensure proper documentation of each management action and shall preserve documents relating to their activities, in conformance with criteria ensuring easy detection.

The aforementioned aim to preserve the reliability of Group Companies announcements in order to protect proper and accurate representation of financial results, assets and financial status, as well as to ensure that all activities are consistent with the organisational structure and the internal system of assignment of duties, as well as with current laws, regulations and supervision rules.

5.13 Gifts, offers and other donations

It is prohibited for any staff member or partner to ask or receive, for themselves or third parties, offers, gifts and other donations from anyone who may gain or has gained benefits from the activities of the Palazzoli Group Companies or intends to contact the Palazzoli Group.

An exception to this rule are offers, gifts and other donations of low value in conformance with commercial and social habits and practices.

Offers, gifts and other donations of non-low value offered to the staff member or partner must be reported to their Supervisor and the latter, after assessing the circumstances, must report to the Supervision Organisation.

It is prohibited for any staff member or partner to offer or propose offers, gifts and other donations to any person that may grant them favourable treatment in any activities relating to the Palazzoli Group.

It is not permitted to offer or grant unfair benefits to public or private clients and suppliers.

5.14 External partner obligations

The Palazzoli Group requires all Partners to maintain proper and transparent conduct during the exercise of their duties, in respect of the principles of this Code of Ethics, so that communication and cooperation are favoured to the maximum.

In particular, such conduct must be manifest in relation to any request submitted by partners, corporate management, the Committee for Audit and Management and other Corporate Organs with competency over accounting audits and internal audits, as well as the accounting audit company during the exercise of the related institutional duties.

It is an essential term for the initiation or continuation of a contractual relation for the Partner to adhere, in the broader sense, to this Code and current regulations relating also to management of the relations with the Civil Service.

Partners are responsible for accurate, authentic and original documents and information they register during the performance of their duties and over which they have competency.

Partners shall keep full confidentiality of all information they become aware of due to their cooperation with the Palazzoli Group Companies. In particular, Partners acquiring personal data during

the exercise of their duties shall strictly adhere to current laws concerning the security of personal data

6. EXTERNAL RELATIONS

6.1 Relations with clients

Palazzoli seeks business success through offer of quality products and services under competitive conditions and in respect of agreed contractual terms and applies the principles of transparency, reliability, responsibility and quality in its conduct towards relations with clients.

Therefore staff members and partners of the Palazzoli Group Companies shall:

- strictly adhere to the terms of this Code and internal processes concerning client relation management,
- safeguard the quality and reliability of products or any provided services, ensuring that services provided by third – suppliers in general – fully reflect the Palazzoli Group quality standards,
- provide the client with all information concerning the contractual terms and time periods relating to the sale of company products so that the client is fully informed at the conclusion of the agreement,
- provide true information in advertising messages, avoiding any misleading practices,
- maintain conduct characterised by eagerness, respect and good manners in accordance with the Group standards which are founded in high level of professionalism,
- in maximum diligence see to the activities of *client satisfaction*, with a view to continuous improvement of the quality of offered products, politely recording any recommendations or complaints through the use of appropriate direct communication systems to this purpose.

6.2 Relations with suppliers

Purchase procedures of the Group Companies are based on seeking maximum competitive advantage in application of honesty, correctness and impartiality towards possible suppliers, so that no competition is allowed for the conclusion of

contracts with any supplier that meets the requirements.

The selection of suppliers and establishment of purchase terms are based on objective and documented criteria which take into account the price and the capacity for timely supply and securing services of appropriate level.

Palazzoli requires its suppliers to respect the ethical principles set out in this document. Corporate departments that perform purchases of products and/or services, including external consultancy, shall adhere to internal procedures concerning supplier relation management.

In particular, those participating in product or services purchase shall adhere to the following conduct principles:

- report and document the reasons for selection and cash amounts,
- apply the principle of division of roles, whenever possible,
- adhere to and ensure adherence to legal provisions and contractual terms provided for,
- always act in accordance with the principles of correctness, cost efficiency and quality.

Every commercial agreement must be recorded in writing and set out in full clarity at least the services or products which constitute the object of the supply, the related schedules, the price or consideration agreed upon, as well as the terms and methods of payment.

6.3 Relations with the Civil Service

The relations of the Palazzoli Group Companies with the Civil Service, or of general public nature, shall be governed by the strictest adherence to applicable legal and regulatory provisions and in no case may they offend the integrity and reputation of the Palazzoli Group.

The assumption of commitments and management of relations of any type with the Civil Service and/or relations of public nature is the sole responsibility of competent and duly authorised departments of the company.

In relations with the Civil Service, Palazzoli shall not attempt unfair influence upon the decisions of any public operator.

In all cases, in the context of business negotiations or any relation, including commercial relations, with the Civil Service, in Italy or abroad, as well as in

cases of audits/ inspections/ investigations on the part of any competent Authorities, staff members, partners and/or any representatives of any type of the Palazzoli Group Companies shall:

- not offer opportunities for work and/or trade to Civil Service staff involved in the negotiations, the relation and/or audits, inspections and investigations, or to the relatives thereof,
- not make direct or indirect offers, gifts or any donations to Civil Service staff or relatives thereof, with the exception of commercial good manners items of low value and, in all cases, within the value limits provided for in the related procedure,
- maintain conduct founded in ethical values and principles provided for in this Code,
- not ask or receive information that adversely impact on the integrity and reputation of either party.

In relations with the Civil Service, in Italy or abroad, the representatives and/or staff members and partners of the Palazzoli Group Companies are not allowed to pay or offer, directly or through third parties, any cash amounts or gifts of any type and form, either to public officers or officers in public services, government officials, civil servants and private people, of Italian or foreign nationality, with whom Palazzoli maintains commercial relations, with a view to rewarding for acts within the scope of their service or for the performance of an act which violates their duties.

Acts of commercial good will, such as gifts, forms of hospitality or any other offer (even in the form of donations) are allowed only if they are of low value, within the value limits provided for in the related procedure (which may also refer to the categories of goods that may become an object of gift), so that the integrity and reputation of either party is not offended, while also conforming to commercial practices.

The said acts shall always be approved and duly documented.

6.4 Relations with accounting audit companies and other corporate organs

Staff members of the Palazzoli Group Companies shall provide maximum cooperation and transparency in relations they be called upon to

forge with the accounting audit company and other corporate organs in reference to the audit activities exercised.

In particular, they shall abstain from any behaviour, by actions or omissions, that may amount to refusal of chartered auditors or other corporate organs or lead to actions aiming to obstruct the review or mislead chartered auditors or other corporate organs during the exercise of their auditing duties.

6.5 Relations with supervisory authorities

The Palazzoli Group Companies are bound to adhere to the rules, fully and diligently, imposed by national, European and international supervisory authorities for Company conformance to current applicable laws, through provision of maximum cooperation and transparency.

Group Companies shall not refuse, hide or delay any information that may be requested by supervisory authorities during the exercise of their auditing duties and shall actively cooperate in auditing procedures.

In order to ensure maximum transparency, the Palazzoli Group is committed to resolve any situation of conflict of interest between staff members and relatives thereof and the supervisory authorities.

The Group recognises that, at times, doubts may arise concerning proper interpretation of provisions and regulations: in such a case, staff members and partners shall ask for the opinion of the head of the legal department of the Palazzoli Group through special channels.

6.6 Competitors

The Palazzoli Group fully respects law provisions referring to competition and abstains from any misleading, colluding conduct and, in general, any practices that may acquire the form of unfair competition.

6.7 Fight against the legalisation of illegal income

In no manner and in no case shall Group staff members and partners receive or accept a promise of payment in cash or run the risk of being involved in cases that relate to legalisation of income from illegal or criminal activities.

Prior to conclusion of relations or contracts with non-occasional suppliers and other partners concerning long-term business transactions, staff members or partners shall check ethical integrity, reputation and the good name of the other party.

The Group is committed to adhere to all national and international rules and provisions relating to the fight against legalisation of illegal income.

6.8 Press and mass media

The Palazzoli Group addresses Press organs and mass media through the competent corporate organs, by implementation of best practices, availability and transparency, as per the communication policy the Company specifies.

Therefore, staff members of Palazzoli Group Companies may not provide information of any type to representatives of the Press and the mass media in general, nor may keep any contacts thereto, with a view to publicizing business related information without approval of the competent corporate organs.

In case of participation in conferences, meetings, seminars and other events in general, as well as in the case of articles, essays and publications, information provided on the activities, results, positions and strategies of the Group Companies may be made public only if they have already been made public or if approved by the person directly responsible for such information that constitutes part of the text of any document.

6.9 Contributions and sponsoring

The Palazzoli Group Companies may accept applications for contributions only if such proposals originate from non-profit organisations and agencies or proposals of high cultural or humanistic value.

Sponsoring activities may relate to social, environmental, sports, recreational and artistic areas.

In all cases, in order to select proposals for acceptance, the Palazzoli Group most diligently reviews any potential conflict of interest.

6.10 Communities

The Palazzoli Group wishes to contribute to the mental development and prosperity of the communities in which Group Companies operate. Based on such goals and the goals of the Palazzoli

Group, the Group supports social, cultural and educational initiatives aiming to the development of society and improvement of quality of life. It also committed to maintain such relations with local, national and supranational Public Authorities that are founded in full cooperation and transparency and mutual respect of the independence and the values reflected by this Code. As per these principles, the Palazzoli Group does not proceed to contributions or other type of donations towards non-recognised associations or organisations such as political parties, trade unions, etc., and/or representatives or candidates thereof.

6.11 Environment

Environmental protection and preservation has always been and still is a primary goal for the Group Companies.

In the context of activities, the Palazzoli Group is committed to contribute to the development and prosperity of communities in which it operates, aiming to safeguard the health of staff members, external partners and communities affected by such activities, as well as reduction of environmental impact.

Each Recipient shall respect this principle also in future and shall act to achieve this target during performance of activities.

The Palazzoli Group Companies also contribute in the most appropriate manner, with a view to the promotion of scientific and technological development aiming to the protection of the environment and nature. Business management shall be founded in advanced criteria of environmental protection and energy efficiency aiming to the improvement of health conditions at work.

7. IMPLEMENTATION OF THE CODE OF ETHICS

Adherence to this Code of Ethics constitutes an integral part of contractual obligations. In order to ensure full and proper implementation of the Code, the Palazzoli Group has proceeded to the establishment of the Supervision Organisation with independence of initiative and review in accordance with law decree no. 231 of June 8, 2001.

Each Group Company assigns, with a formal act of the competent corporate organ, the duties of the

Head of implementation of the code of ethics to the related Supervision Organisation.

7.1 Duties of the Supervision Organisation

The Supervision Organisation is assigned the following duties in reference to the implementation and review of the Code:

- cooperate in decision making concerning Code violations (which are confirmed by the Supervision Organisation itself upon its own initiative or following a report of other corporate organs) jointly with, – in reference to imposition of penalties –, the head of human resources and the direct supervisor of the violator,
- express an opinion concerning the revision of the most important corporate policies and procedures, so that conformance with the Code is reviewed and ensured,
- review the implementation and adherence to the Code through *ethical auditing*, which comprises of the confirmation and promotion of continuous improvement of ethics through analysis and assessment of the ethical risk review procedures,
- monitor initiatives for expansion of knowledge and comprehension of the Code of Ethics and, in particular, ensure the development of communication and training activities in the area of ethics,
- recommend to the Board of Directors any revisions of corporate policy and procedures with significant impact on corporate ethics,
- ensure continuous revisions of the Code in reference to effectiveness and change of corporate requirements and applicable legislation.

7.2 Communication and training

The Code of Ethics is notified to internal and external stakeholders through special communication actions.

In order to ensure proper comprehension of the Code of Ethics by all staff members and partners of the Palazzoli Group Companies, the Supervision Organisation drafts and submits to the Board of Directors the training plan which aims to promote knowledge of ethical principles and rules.

Training initiatives differ depending on the duties and responsibilities of staff members or partners. A special training program is provided for new recruits which presents the Code content whose implementation is provided for.

7.3 Stakeholders' remarks

All stakeholders of the Palazzoli Group Companies may remark, also in non-anonymous form, on any violation or suspected violation of the Code to the Supervision Organisation of the Company, which proceeds to the review of the report, possibly hearing the complainant and the alleged violator in a personal meeting.

Reports may be submitted in the following methods:

e-mail: odv@palazzoli.it

by mail to: Organismo di Vigilanza di
Palazzoli SPA
Via Federico Palazzoli n. 31
25128 BRESCIA (BS)
ITALY

The Supervision Organisation acts in such a way as to protect the originators of a report against any type of retaliation, in the sense of any actions that may create a mere suspicion for discrimination or punishing practices against them.

Information and reports submitted to the Supervision Organisation and the organs used by the latter, are considered confidential and may not be publicised, with the reservation of legal obligations.

7.4 Consequences of violations of the Code of Ethics on the part of staff members

Non-adherence to and/or violation of the rules of conduct provided for in the Code of Ethics and corporate procedures on the part of staff members of the Group Companies constitute a default on obligations arising from the work relation based on article 2104 of the Civil Code (employee diligence) and a disciplinary violation.

In reference to the penalties imposed, it is noted that these may be imposed in accordance with the provisions of current national collective work agreements for the related professional category of the Group Companies and that such imposition shall be enacted in full adherence to the terms of

the aforesaid collective agreements and article 7 of law no. 300/1970 (Labour Code).

Such penalties shall be imposed based on the significance of each case under review and shall be proportional to such significance.

Confirmation of the said violations, management of disciplinary procedures and imposition of penalties remain the competency of specially authorised departments of the company.

7.5 Consequences of violations of the Code of Ethics on the part of Directors, Managers and Auditing Organs

In case of violation of internal procedures and the Code of Ethics on the part of directors, the Company evaluates the facts and conduct and undertakes appropriate initiatives against the people responsible, in due consideration of the fact that the said violations constitute a default on the obligations arising from the work relation as per article 2104 of the Civil Code.

In case of violation of the Code of Ethics on the part of Managers and Company Auditing Organs, the Supervision Organisation of the Palazzoli Group informs the entire Board of Directors and the Company Auditing Organ without delay, as the latter shall ensure taking of appropriate measures as per applicable laws.

7.6 Consequences of violations of the Code of Ethics on the part of partners, consultants and third parties

Any conduct on the part of partners, consultants or third parties associated with the Palazzoli Group Companies through a contractual relation for non-salaried work, in violation of the terms of the Code of Ethics, may lead to the termination of the contractual relation, as per the provisions of the special penalties included in the assignment letters, with the reservation of any claims for compensation, in case the said conduct damages the Company, irrespective of the termination of the contractual relation.

8. FINAL PROVISIONS

This Code of Ethics is approved by the Board of Directors of each company of the Palazzoli Group.

Any revision of the Code of Ethics is approved by the Board of Directors of the Group Companies, following a recommendation of the Managing Director and the opinion report of the Auditing Committee. Any revision is immediately notified to Recipients.

The Code is notified to internal and external interested parties through notification procedures (e.g. posting on the corporate board, delivery to all staff members, special intranet sites and/or corporate website, etc.).

In order to ensure proper comprehension of the Code of Ethics by all staff members and partners of the Palazzoli Group, however such are defined, the Supervision Organisation drafts and submits to the Board of Directors the training plan which aims to promote knowledge of ethical principles and rules provided for in the Code.

Training initiatives differ depending on the duties and responsibilities of staff members or partners.